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# House probe points to Canadian funds

## Casey reportedly describes transfer of \$15 million

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WASHINGTON — The House Foreign Affairs Committee learned yesterday of a broader network of individuals involved in the Iranian arms sales-contra funds diversion, including a Canadian "connection" involved in the deposit of \$15 million in one of the secret bank accounts used to finance the operation, according to congressional sources.

William J. Casey, the director of central intelligence, and other CIA officials testified under oath for more than five hours in a secret session of the committee and provided it with several names not heretofore linked to the Iran-contra inquiry, several members of the panel said. Some of those identified were Canadians, several congressional sources said.

Mr. Casey also denied that he had any knowledge of the diversion of funds from Iranian arms shipments to the contra rebels of Nicaragua until he was told of it by Attorney General Edwin W. Meese III, just before Mr. Meese publicly disclosed the funds diversion, two committee members said. In addition, Mr. Casey denied any CIA involvement in diverting funds to the contras.

One member of the House panel, Representative Dan Mica, D-Fla., said, "There appears to be some whole new connections being discussed here — a Canadian situation." He refused to elaborate further.

Another congressional source, though, said it was disclosed that there was a \$15 million transfer of funds earlier this year from Canadian sources into one of the accounts linked to the secret arms operation.

The source, who insisted on anonymity, said that the ultimate disposition of the funds, which were described as an "investment," now "could not be accounted for" and that this had angered those who had provided the funds. The Canadians involved had expected that the funds would be repaid, a source said.

However, it could not be learned whether the funds were provided by individuals related to the Canadian government or persons of Canadian

nationality acting on their own.

The funds provided by the Canadians were believed to be intended for the Iranian arms operation, but it was unclear if any of the money had been diverted improperly to aid anti-government rebels to Nicaragua, congressional sources said.

Another congressional source said of the money, "It's not clear where it went."

The Canadian funds came to light through unofficial, non-CIA channels, an informed source said the panel was told, and the agency itself was not involved.

John Fieldhouse, a spokesman for the Canadian Embassy in Washington, had no information on any possible Canadian link to the operation. He also reiterated Canada's policy against any outside intervention in Central America and particularly in Nicaragua.

Representative Dante B. Fascell, D-Fla., chairman of the House Foreign Affairs Committee, said Mr. Casey had provided the panel with names of new persons related to the inquiry, but Mr. Fascell said their identity should not be disclosed "by identifying what their nationality" is.

Speaking of the overall inquiry and the new information the panel had received, Mr. Fascell said, "When all of the dots are eventually linked on this, it will be, I won't use the word incredible, but it certainly will be extraordinary."

Representative Larry Smith, D-Fla., said that the testimony before the panel yesterday "added more characters to the cast" and "opened new avenues of questioning to be explored." He said Mr. Casey "gave some names of people" to the panel.

"There really were a host of characters involved here; I think there was a significant new dimension to this whole affair," said Representative Stephen Solarz, D-N.Y., a committee member.

Mr. Casey also denied a published report that he had learned of the diversion of funds to the contra rebels a month before it was publicly disclosed by Mr. Meese, according to committee members.

"He said in no uncertain terms he did not know about that until the attorney general told him; he was very clear about it," Representative Peter Kostmayer, D-Pa., said of the CIA director.

In addition, Mr. Casey "was quite clear that the CIA was not involved in the diversion of funds to the contras," although the agency was involved in arms shipments to Iran, Mr. Kostmayer said.

And, after an initial role in a 1985 arms shipment to Iran, the CIA insisted that the president formally authorize any further CIA role in a written covert action "finding" when arms shipments resumed in 1986, Mr. Kostmayer said. That was the first public confirmation of a previously published report that Mr. Casey insisted on presidential authority before any further involvement in the Iranian arms operation.

"There was, I believe, an arms shipment over that weekend — NSTAT November 22-23, 1985," Mr. Kostmayer said, in which the CIA was involved in transporting materials.

At that time, there was no formal, written authorization for the operation, although Robert C. McFarlane, a former national security adviser, told the House panel Monday that the president had issued an "oral" authorization for an even earlier arms shipment to Iran that was made through Israel.

After a December decision to halt arms shipments, the president then decided in January to resume them. But the CIA "requested justification from the White House and thus the finding came about," Mr. Kostmayer said, in January 1986, when Mr. Reagan signed a secret "finding" authorizing the Iranian arms shipments and ordering Mr. Casey not to reveal the operation to congressional committees charged with oversight of covert operations.

The CIA director signed an agreement with the Senate Select Committee on Intelligence last year that he would provide the panel with full advance notice of covert operations, and there are also several laws providing for advance presidential notice to the intelligence panels in the House and Senate for covert actions, except under extraordinary circumstances.

"I would say he was a facilitator of National Security Council efforts in the arms operation and then later 'asked for a finding' to justify a CIA role, Mr. Kostmayer said.

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**LEE HAMILTON**

Representative William Broomfield, R-Mich., the senior Republican on the panel, said that Mr. Casey's testimony was compelling in showing that President Reagan had no knowledge in the diversion of funds to the contras. But he also said that the testimony showed that there had been "serious errors of judgment by senior CIA personnel."

**Representative Lee Hamilton**, D-Ind., a member of the Foreign Affairs panel and chairman of the House Permanent Select Committee on Intelligence, said there was still no clear information on how the funds for the arms-contra operation flowed and who was involved in it.

"We're struggling to get answers . . . we're dealing with scraps of information," he said.

"There is a tangled web of worldwide financial relationships which will require accountants, more than congressmen, to separate it all out," Mr. Kostmayer said.

Members of the Foreign Affairs Committee clashed yesterday on whether to grant immunity to witnesses who have refused to testify on the grounds that their answers to questions would violate their constitutional rights against self-incrimination. And there was also sharp disagreement over whether the president was involved in the diversion of funds to the contras, an operation that the president has said was conducted without his knowledge or authorization.

Mr. Solarz declared that he believed, based on the weeklong hearings of the House panel, "that the president must have known about the decision to divert these resources."

But that view was quickly challenged by Republicans, including Mr. Broomfield and Representative Dan Burton, R-Ind., who said such a characterization was "irresponsible" and unfounded by any evidence presented to the committee.

Also yesterday, Mr. Broomfield said granting immunity to witnesses who have refused to testify would "allow Congress to find out everything about the Iran matter quickly."

But Mr. Fascell said he was "certainly not ready to do that right now . . . it's premature."

Also yesterday on Capitol Hill, retired Air Force Col. Richard C. Dutton appeared before the Senate intelligence committee and invoked his constitutional right against self-incrimination in refusing to answer questions. Colonel Dutton is a business associate of former Air Force Maj. Gen. Richard V. Secord, who has been linked to the arms sale and who also invoked his right against self-incrimination before the Senate panel in an appearance earlier this week.

And in a separate inquiry on Capitol Hill, Vice Adm. John M. Poindexter, President Reagan's former national security adviser, appeared briefly in a private session of the House intelligence committee. Admiral Poindexter has previously invoked his right against self-incrimination in refusing to answer questions posed by the Senate intelligence panel and the House foreign affairs panel.

Representative Robert Roe, D-N.J., said Admiral Poindexter invoked the Fifth Amendment again yesterday.

Yesterday, all eight Democratic members of the Senate Judiciary Committee urged that the criminal investigation by an independent counsel be broadened to include all aspects of the Reagan administration's efforts to aid the contras. In a letter to the three-judge panel that soon will select a special prosecutor to investigate the Iran-contra operations, the lawmakers said that Mr. Meese had set up too limited a scope for the inquiry in his request to the panel to name a counsel, or special prosecutor, to probe possible criminal violations.

**Karen Hosler of The Sun's Washington Bureau contributed to this article.**